
OFFICE OF THE ALBANY CITY TREASURER

DATE: November 4, 2015

TO: Hon. Kathy M. Sheehan
Members of the Common Council

FROM: Hon. Darius Shahinfar

CC: Ismat Alam

RE: 3rd quarter 2015 Performance

The following is a summary of the unaudited results for the 3rd Quarter 2015.

Second quarter revenue totaled \$118.2 million which was an increase of 7% compared to last year at this time. Expenses totaled over \$119.6 million which is almost the same amount compared to the third quarter of 2014. While this is good news, and we are cautiously optimistic about further good news on sales tax revenue increases as well as energy and other variable cost decreases, these savings are proving to be fleeting due to several realized and/or anticipated added expenses or revenue shortfalls in: The Firefighters and Dispatchers resolutions, as well as landfill, fine and Coeymans land sale revenue.

REVENUE (Thousands)

	Sept	Sept		%	Sept	Annual		%
REVENUE	YTD 15	YTD 14	Variance		YTD 15	Budget	Variance	Budget
PROPERTY TAX	56,698	55,858	840	2%	56,698	56,528	170	100%
SALES/USE TAX	24,487	23,925	562	2%	24,487	31,973	(7,486)	77%
PILOTS/19-a	11,946	4,016	7,930	197%	11,946	19,490	(7,544)	61%
OTHER LOCAL SOURCES	1,710	1,920	(210)	-11%	1,710	4,833	(3,123)	35%
LANDFILL	8,756	8,534	222	3%	8,756	12,077	(3,321)	73%
OTHER DEPARTMENTS	1,999	2,106	(107)	-5%	1,999	3,506	(1,507)	57%
INTER GOVERNMENT	162	153	9	6%	162	117	45	138%
FINES	3,077	3,037	40	1%	3,077	7,049	(3,972)	44%
LICENSES AND PERMITS	2,396	2,237	159	7%	2,396	2,718	(322)	88%
STATE AID	2,687	2,620	67	3%	2,687	17,354	(14,667)	15%
SALE P/COMP/LOSS	202	210	(8)	-4%	202	5,404	(5,202)	4%
MISCELLANEOUS	2,654	3,516	(862)	-25%	2,654	12,998	(10,344)	20%
OTHER	129	1,670	(1,541)	-92%	129	275	(146)	47%
DEBT RESERVE	1,335	500	835	100%	1,335	1,500	(165)	89%
TOTAL REVENUE	118,238	110,302	7,936	7%	118,238	175,822	(57,584)	67%

The chart above summarizes the City's sources of revenue through September 30, 2015.

1. **Property Tax revenue** increased by \$840,000 from 2014 as a result of the tax levy increase under the tax cap. However, while the City was over budget by \$170,000 with assessment reductions included through the 3Q, recent large SCOs reduced assessments which have put the City at least \$150K under budget, with some smaller additional cases pending.
2. **Sales Tax revenue** the sales tax revenue increased 2% and totaled \$24.5 million which was \$562,000 higher compared to last year at the same time. We are slightly over budget at 77% for the year to date, and should this increase continue for the next quarter as it usually does for the 4th Quarter, it would lead to greater revenue than budgeted.
3. **PILOTS/19-a revenue** was 197% higher than the same period last year, but the increase is primarily due to the City receiving the first half, \$7.5 million, of the 19-a payment in July. Last year the City received the whole \$15.0 million in November.
4. **Other Local sources revenue** was 11% lower than the third quarter of 2014. Utilities gross receipts and Time Warner franchise fees both ended the quarter lower than last year based on lower energy costs and lower usage of Time Warner services.
5. **Landfill revenue** increased 3% compared to the last year at this time. Increases in landfill permits, coupon sales, contaminated soil and methane gas sales which combined for a \$709,000 increase while tipping fees decreased by \$422,000. The expected revenue loss of \$0.9 to \$1.2 million due to the loss of a large landfill client has been reduced to approximately \$400K.
6. **Other Departmental revenue** was 5% lower than the same period last year. Most of the decrease was the result of decreases in rental registries which was down \$65,000, safety inspection fees which decreased by \$75,000 and APD Event Security revenue which decreased by \$23,000. These decreases were off-set by an increase of \$67,000 in EMS Ambulatory revenue.
7. **Fines and Forfeitures revenue** increased by 1% from the third quarter of 2014. Both parking ticket fines and surcharges combined for a slight increase of \$51,000. Traffic violations decreased by \$73,000. While parking ticket revenue has been slowly increasing back to the levels of last year, budgeted red light camera ticket revenue is expected to be more than 80-90% lower than budgeted.

8. **Licenses and Permits revenue** increased 7% (\$159,000) compared to the same period last year. Most of this increase is directly related to recording the revenue from bills invoiced for building demolitions in the current year as compared to the traditional process of including them on the property tax bills in the next year. There were also increases in plumbing permit revenue of \$72,000 and electrical permit revenue increased by \$15,000. Safety Inspection permit revenue on the other hand decreased by almost \$173,000, street opening permits decreased by \$45,000, vacant building fees decreased by \$16,000 and parking permit revenue decreased by \$13,000.
9. **State aid** increased 3% (\$67,000) from 2014. Most of this revenue is derived from state grants and various state payments, which makes this line largely budget neutral (other than State AIM monies). The timing of these payments varies from year to year. The City received \$127,000 more from a NYS Homeland Security Grant compared to 2014. Mortgage tax revenue also increased by \$211,000 from the same period last year. However, there was a decrease of \$204,000 from a NYS Operation Impact Grant compared to the 3rd quarter of 2014.
10. **Miscellaneous revenue** decreased 26% (\$682,000) compared to the same period last year primarily as a result of a decrease in delinquent debris and demolition charges levied onto 2015 property tax bills which decreased \$250,000. Also the Albany Parking Authority, which prior to 2015 reimbursed the City for the PSO salaries and benefits, was lower by \$350,000. This decrease is offset by the transfer of the PSO employees and related expenses to the APA.
11. **Other revenue** decreased by 25% (\$862,000) compared to the same period last year. Most of this revenue is derived from federal government grants, making it largely budget neutral, and the timing of these payments varies from one year to the next. So far this year the City has received almost \$105,000 from a few Federal public safety grants. The reason for the decrease is related to a COPS Hiring Grant which the City received \$763,000 less this year compared to 2014.

DISBURSEMENTS

Category	Sept	Sept		%	Annual		%
	YTD 15	YTD 14	Variance		Budget	Variance	Budget
Personal Benefits	54,991,704	55,083,489	(91,785)	-0.2%	74,223,477	(19,231,773)	74%
Fringe Benefits	30,735,262	28,098,107					
Retirement Estimate	8,230,657	10,015,517					
	38,965,919	38,113,624	852,295	2.2%	51,932,558	(12,966,639)	75%
Non-Personal Service	32,548,583	35,574,193	(3,025,610)	-8.5%	50,659,195	(18,110,612)	64%
Use of Debt Reserve	1,335,000	500,000	835,000	167.0%	1,500,000	(165,000)	89%
Total	127,841,206	129,271,307	(1,430,100)	-1.1%	178,315,230	(50,474,024)	72%
Number of weeks in period	39	39	0		52		75%

Total disbursements decreased by \$1.4 million or 1.1% compared to the same period last year. Spending was down in Personal Benefits and Non-Personal Service but increased in Fringe Benefits compared to 2014.

- 1. Salary expense decreased by 0.2% compared to the same period last year.** Salary expenses are level or slightly lower in most of the departments compared to 2014. The Police department was lower by over \$389K, while the Fire department was higher by \$888K from last year. This category also includes overtime expenses which ended the quarter \$154K higher than in 2014. The recent arbitration award to the Firefighters for retroactive pay was not included in the budget. The firefighter's received their retro pay in July which is the primary reason for the increase in salary expense and to some degree the overtime expense in the Fire Department.
- 2. Benefits Expenses increased by 2.2% compared to last year at this time.** Most of the increase in this category is attributable to the Police department which increased by over \$1.2 million from 2014. The biggest increase was in the workers compensation expenses which increased by almost \$836K, largely as a result of the closing out of old claims. Employee health insurance also increased by over \$900K (the premiums charged by CDPHP alone increased by over 9%), but was at only at 68% of budget from the same time last year. Retiree health expenses increased almost \$859K from 2014, but the estimate for retirement expense is down by \$1.8 million from the same time last year. Overall even with these increases this category is at budget for the year.

3. **Non-Personal Service spending decreased by 8.5% or just over \$3.0 million.** This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. DGS saw decreases in the following accounts: gasoline expense decreased \$595K and motor vehicle repair expense decreased \$351K. The City's utilities expenses decreased by almost \$632K with street lighting making up most of the decrease at \$291K less than the same period last year. Gasoline expense City wide decreased \$673K. Debt service is down by \$1.2 million on the General Fund from paying this amount out of the Debt Reserve Fund.

5. **Encumbrances (funds reserved for purchases) decreased by \$1.5 million** or almost 29% compared to the same period last year. Encumbrances total \$3.6 million at the end of the third quarter.

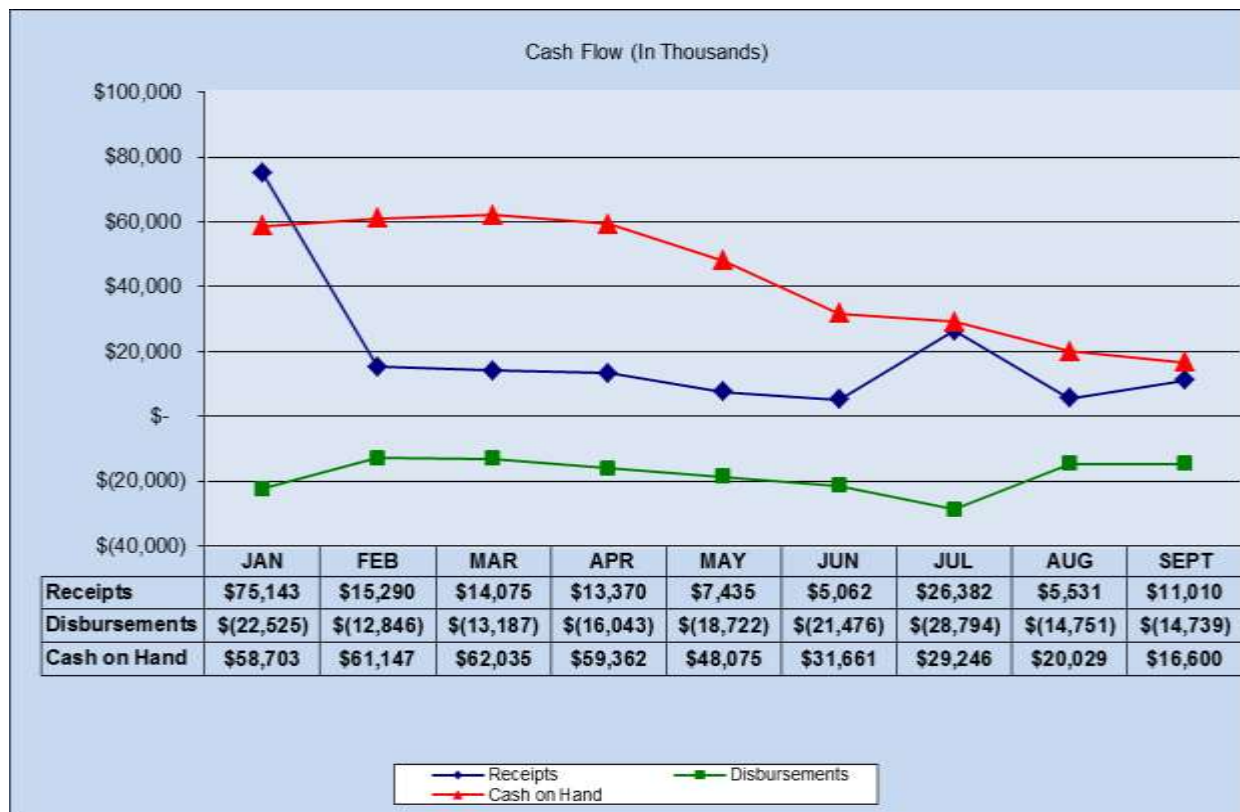
OVERTIME

2015 OT OVERTIME							
Department	2015	2014	Change	%	2015	Budget	% of Budget
Police (non-reimbursable)	2,983,522	2,931,528	51,994	2%	2,983,522	3,950,000	76%
Fire	1,617,493	1,411,878	205,615	15%	1,617,493	750,000	216%
Communications	124,159	135,466	(11,307)	-8%	124,159	175,000	71%
Parks Maintenance	129,443	169,010	(39,567)	-23%	129,443	200,000	65%
Waste Collection	138,281	160,181	(21,900)	-14%	138,281	175,000	79%
Landfill	103,661	127,764	(24,103)	-19%	103,661	151,000	69%
Central Maint.	61,995	54,215	7,780	14%	61,995	70,000	89%
Street Maintenance	84,562	86,802	(2,240)	-3%	84,562	150,000	56%
Street Cleaning	100,336	120,712	(20,376)	-17%	100,336	150,000	67%
Recreation	9,901	3,004	6,897	230%	9,901	12,000	83%
Traffic Engineering	28,653	15,162	13,491	89%	28,653	40,925	70%
Capital Hills	19,148	20,128	(980)	-5%	19,148	26,000	74%
Central Garage	11,209	17,192	(5,983)	-35%	11,209	28,000	40%
Bleeker Stadium	0	75	(75)	-100%	0	600	0%
Buildings	30,198	36,206	(6,008)	-17%	30,198	50,000	60%
Control of Animals	6,577	5,720	857	15%	6,577	9,000	73%
Special Events	9,074	9,564	(490)	-5%	9,074	20,000	45%
General Fund	5,458,212	5,304,607	153,605	3%	5,458,212	5,957,525	92%
Police (reimbursable)	707,311	764,166	(56,855)	-7%	707,311	1,248,161	57%
Traffic Eng. (reimbursable)	160	446	(286)	0%	160	0	100%
Water	448,451	506,714	(58,263)	-11%	448,451	580,000	77%
Totals	6,614,134	6,575,933	38,201	1%	6,614,134	7,785,686	85%

General Fund overtime was at 92% of budget at the end of the third quarter. Excluding the Water Department (for which the City is reimbursed) and reimbursable Police overtime, overtime expense was 3% (\$153,605) higher than the same time last year.

Recreation had the biggest increase in overtime expense percentage wise at 230% although it ended the quarter at only 83% of budget and the Fire Department had the largest increase dollar wise at \$205,615 which is 15% higher than the same period last year and was the only department over budget at 216% so far this year. Police overtime was higher by 2% compared to the same period last year and finished the quarter at 76% of budget. The majority of departments have lower overtime expenses this year than last year except for those indicated on the chart.

CASH



The City's cash position was 27% higher than forecasted and \$4.5 million higher than the same period last year. The increase is the result of NYS paying the first half (\$7.5 million) of the 19-a payment in July. Last year the City received the whole 19-a payment of \$15.0 million in November.

CONCLUSION

Although revenue is ahead of last year, and expenses were controlled through the third quarter (1.1% or almost \$1.4 million lower than last year at this time; only 72% of 2015 budgeted expenses), these savings are not expected to last or continue. Most of the savings will be used for the firefighters current year salary increase. Retiree health insurance totals \$7.4 million and is at 97% of budget. The red light camera installations are behind schedule so we will not make revenue estimates for this project. The Coeymans land sale to NYS was budgeted at \$5.0 million but the City is now only expecting to receive \$3.7 million. Therefore, the City will have to continue to find other savings in order to offset the additional decrease to the fund balance related to these items, as well as other expected revenue declines and cost increases.

The current estimate regarding our fund balance is that by year end, it will be approximately \$3.3 million less than budgeted, meaning that projected expense increases (e.g., retro salary increases) and revenue shortfalls (e.g., RLC and Coeymans sale revenue) will be \$3.3 million more than savings realized (e.g., energy costs) plus revenue enhancements (e.g., sales tax). This will leave our unassigned fund balance at essentially zero by the end of the year, unless savings are realized elsewhere in the budget.